

CIRCULAR LETTER

To

ALL SHARIA COMMERCIAL BANKS AND SHARIA BUSINESS UNITS IN
INDONESIA

Subject : Amendment to Bank Indonesia Circular Letter Number
10/44/DPM dated December 10, 2008 concerning Procedures
for Sovereign Syariah Securities (SBSN) Repurchase
Agreement (Repo) Transaction with Bank Indonesia

In relation to Bank Indonesia Regulation Number 10/36/PBI/2008 dated December 10, 2008 concerning Sharia Monetary Operations (State Gazette of the Republic of Indonesia Year 2008 Number 197, Supplement to State Gazette of the Republic of Indonesia Number 4944) as amended by Bank Indonesia Regulation Number 12/17/PBI/2010 dated August 30, 2010 (State Gazette of the Republic of Indonesia Year 2010 Number 107) as well as in order to harmonize the provisions on monetary operations, it is necessary to amend several provisions and Appendix 3 to Bank Indonesia Circular Letter Number 10/44/DPM dated December 10, 2008 concerning Procedures for Sovereign Syariah Securities (SBSN) Repo Transaction with Bank Indonesia as follows:

1. The provisions in Roman number III number 1 shall be amended so that it shall be read as follows:

III. SBSN REQUIREMENTS AND VALUE

1. SBSN of a Bank which may be subject to repurchase agreement shall:
 - a. be recorded in a Trading Account in BI-SSSS; and
 - b. have minimum remaining validity tenure of 3 (three) business days as from 1 (one) day following the maturity of SBSN Repo.
2. The provisions in Roman number V number 3 letter b.8) shall be supplemented so that they shall be read as follows:

V. SETTLEMENT

- 8) In order to meet the Bank's obligation to settle matured SBSN Repo due to a cancellation of the second leg settlement, the following actions shall be taken:
 - a) Bank Indonesia shall debit the Demand Deposit Account through BI-RTGS System as much as the fee of SBSN Repo; and
 - b) Bank Indonesia shall conduct the settlement of the cancelled SBSN Repo by allowing the type and series of the cancelled SBSN to be repurchased by Bank as an automatic outright selling transaction through BI-SSSS.
 - c) In the event that the outright transaction value is:

- 1). smaller than the second leg settlement liability,
Bank Indonesia shall debit from the Demand Deposit Account an amount equal to the difference between the settlement liability value on the second leg and the outright transaction value.
 - 2). greater than the second leg settlement liability,
Bank Indonesia shall credit to the Demand Deposit Account an amount equal to the difference between the settlement liability value on the second leg and the outright transaction value.
3. The provisions in Roman number VI shall be amended so that it shall be read as follows:

VI. SANCTIONS

1. In the event of SBSN Repo settlement cancellation as referred to in items V.3.a.5) and V.3.b.5), the Bank shall be subject to sanctions in the form of:
 - a. a written reprimand, with a copy to:
 - 1) Directorate of Sharia Banking, in the event that the sanction is imposed to the Bank having its head office in the operational area of Bank Indonesia Head Office (KPBI); or

- 2) Bank Supervisory Team at Bank Indonesia Regional Office (KBI), in the event that the sanction is imposed to the Bank having its head office in the operational area of Bank Indonesia Regional Office (KBI); and
 - b. a financial penalty of 0.01% (one per ten thousandth) of the nominal value of the cancelled SBSN Repo, with the minimum amount of Rp10,000,000.00 (ten million rupiah) and the maximum amount of Rp100,000,000.00 (one hundred million rupiah).
2. Without prejudice to the sanctions as referred to in item VI.1, in the event that the Bank has made cancelled SBSN Repo transactions and/or other cancelled OMS transactions three times during 6 (six) month-tenure, the Bank shall be subject to temporary suspension of its participation in sharia monetary operations for 5 (five) consecutive business days.
3. The written reprimand as referred to in item VI.1.a and notification of temporary sanction of its participation in sharia monetary operations as referred to in item VI.2 shall be delivered within 1 (one) business day following the cancellation of transaction.
4. The financial penalty as referred to in item VI.1.b shall be imposed by debiting the Demand Deposit Account of the Bank

being subject to the sanction on 1 (one) business day following the cancellation of SBSN Repo settlement.

4. Appendix 3 shall be amended to be as set out in Appendix 3 to this Bank Indonesia Circular Letter.

The provisions set forth in this Bank Indonesia Circular Letter shall be effective on August 30, 2010.

For public cognizance, it is ordered that this Bank Indonesia Circular Letter be promulgated in the State Report of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

HENDAR

DIRECTOR OF MONETARY MANAGEMENT